

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

SUBURBAN LIBRARY COOPERATIVE

County of Macomb, Michigan

FINANCIAL REPORT

WITH SUPPLEMENTAL INFORMATION

September 30, 2007

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name SUBURBAN LIBRARY COOPERATIVE	County MACOMB
Fiscal Year End 9/30/07	Opinion Date 12/6/2007	Date Audit Report Submitted to State 12/21/2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

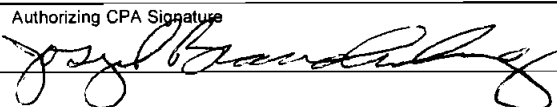
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) BUSS & COMPANY, P.C.		Telephone Number 586-263-8200		
Street Address 42550 GARFIELD, SUITE 105		City CLINTON TWP.	State MI	Zip 48038
Authorizing CPA Signature 		Printed Name JOSEPH BRANDENBURG		License Number 1101020178

SUBURBAN LIBRARY COOPERATIVE
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INDEPENDENT AUDITOR'S REPORT

December 6, 2007

Board of Trustees
Suburban Library Cooperative
County of Macomb, Michigan

Honorable Board Members:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Suburban Library Cooperative as of September 30, 2007, and for the year then ended which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Suburban Library Cooperative's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the remaining fund information of the Suburban Library Cooperative as of September 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

Board of Trustees
Suburban Library Cooperative
December 6, 2007
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The management's discussion and analysis on pages 3 through 5 and budgetary comparison schedule on page 23, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Suburban Library Cooperative's basic financial statements. The other supplemental information is for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully,

BUSS & COMPANY, P.C.



Certified Public Accountants

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SUBURBAN LIBRARY COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2007

Using this Annual Report

This annual report consists of four parts - *Management's discussion and analysis* (this section), the *basic financial statements*, *required supplemental information*, and *other supplemental information*. The basic financial statements include information that presents two different views of the Cooperative:

- The *government-wide financial statements* provide both *long-term* and *short-term* information about the Cooperative's *overall* financial status. The statement of net assets and the statement of activities provide information about the activities of the Cooperative as a whole and present a longer-term view of the Cooperative's finances. These statements tell how these services were financed in the short term as well as what remains for future spending.
- The fund financial statements include information on the Cooperative in more detail than the government-wide financial statements. These *Fund Financial Statements* focus on current financial resources and provide a more detailed view about the accountability of the Cooperative's sources and uses of funds. The Fiduciary Fund financial statements provide information about activities for which the Cooperative is solely acting as an agent for a non-profit organization.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplemental information and other supplemental information* that further explains and supports the information in the financial statements.

Condensed Financial Information

The table below provides key financial information in a condensed format for the current year and prior year.

	<u>2007</u>	<u>2006</u>
Current assets	\$3,473,152	\$3,268,306
Capital assets	<u>186,320</u>	<u>141,353</u>
Total Assets	<u>\$3,659,472</u>	<u>\$3,409,659</u>
Other liabilities	<u>\$ 545,679</u>	<u>\$ 565,605</u>
Total Liabilities	<u>\$ 545,679</u>	<u>\$ 565,605</u>
Net Assets:		
Invested in capital assets	\$ 186,320	\$ 141,354
Unrestricted	<u>2,927,473</u>	<u>2,702,700</u>
Total Net Assets	<u>\$3,113,793</u>	<u>\$2,844,054</u>
Revenue:		
State revenues	\$ 703,970	\$ 708,559
Charges for services	977,438	1,011,076
Other	<u>198,718</u>	<u>103,963</u>
Total Revenue	<u>\$1,880,126</u>	<u>\$1,823,598</u>
Expenses - Cooperative services	\$ 756,215	\$ 651,269
- Automation system operations	<u>854,174</u>	<u>958,189</u>
Total Expenses	<u>\$1,610,389</u>	<u>\$1,609,458</u>
Change in Net Assets	<u>\$ 269,737</u>	<u>\$ 214,140</u>

(Continued)

SUBURBAN LIBRARY COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
September 30, 2007

The Cooperative as a Whole

- The Cooperative's net assets increased by \$269,737 this year. This reflects that current users, and other supporters of the Cooperative have paid the full cost of operating the Cooperative, even after depreciation.
- The Cooperative's primary sources of revenue are from charges for services to its members, representing 52% of total revenue and state revenues representing 37% of total revenue. Remaining revenue came from investment earnings and miscellaneous revenue.
- Total expenses were 86% of total revenue for the year ended September 30, 2007. Salaries and fringe benefits amount to approximately 32% of total expenditures.

The Cooperative's Funds

The Cooperative uses funds to help it control and manage money for particular purposes. Looking at funds helps you consider whether the Cooperative is being accountable for the resources provided and insight into the Cooperative's financial health.

The Cooperative's major funds are as follows:

General Fund - The General Fund is used to account for the governmental activities and general operations of the Cooperative. This fund records revenues and expenditures using the modified accrual basis of accounting. The fund balance of the General Fund increased during the year by \$66,003. The total General Fund fund balance at September 30, 2007 was \$950,346.

Proprietary Fund - The Proprietary Fund is used to report the business-type activities and to record the revenues, expenses and resulting income for the shared automation system. The fund reported an increase in net assets of \$199,055. Net assets of the Proprietary Fund at September 30, 2007 were \$2,153,880.

In addition, the Cooperative maintains a Fiduciary Fund to account for the activities of Macomb Literacy Partners, Inc., a non-profit corporation.

Cooperative Budgetary Highlights

Over the course of the year, the Cooperative Board amended the budget to take into account events that occurred during the year. The unfavorable variance in capital outlay and special projects related to the purchase of furniture for our new conference room, the acquisition of virtual reference library materials for member libraries and costs relating to grant funds that were received during the year. These purchases were approved by our Board although amendments to our budget were not formally made.

Depreciation expenses were lower than budgeted due to the lack of replacement, and we are continuing the process of a Strategic Planning for Technology that will determine where we put out technology investment, and determine when we are going to invest in a new automation system. This automation system is reviewed every five years, and we have been using the current system for six years. The Strategic Plan draft report was received in February 2007 and steps were begun to implement plan recommendations.

With regard to revenues for this fiscal year, interest rates continued to improve for certificates of deposits and money market accounts.

Capital Assets

At the end of the fiscal year, the Cooperative had \$186,320 invested in net capital assets, including site improvements, office furniture and equipment, computer equipment and software. The Cooperative added \$121,378 of capital assets consisting of computer equipment, software, furniture and fixtures and site improvements.

(Continued)

SUBURBAN LIBRARY COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
September 30, 2007

Economic Factors and Considerations for Next Year

Significant changes will continue to come to the Suburban Library Cooperative during the coming year. The Organization completed its move into its new building in January 2007, hired new staff and signed a contract with a new vendor for delivery services. Costs for this new vendor service are expected to increase during the next fiscal year. Part of this cost increase will come from our decision to join MelCat, a statewide resource sharing system, during the coming fiscal year.

Funding from the State of Michigan continues to be uncertain at best. A substantial budget reduction was made for FY 2007-2008 and the Cooperative Board has adjusted our budget accordingly. The position of Cooperative Director has been filled on an interim basis pending the outcome of the State of Michigan's plan for reorganizing the structure of Cooperatives statewide.

Contacting the Cooperative's Management

This financial report is intended to provide our citizens, members, customers and investors with a general overview of the Cooperative's finances and to show the Cooperative's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Cooperative Director at 44750 Delco Blvd., Sterling Heights, Michigan 48313.

BUSS & COMPANY, P.C.
 CERTIFIED PUBLIC ACCOUNTANTS
 CLINTON TOWNSHIP, MICHIGAN

SUBURBAN LIBRARY COOPERATIVE
STATEMENT OF NET ASSETS
September 30, 2007

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	
	<u>GENERAL</u> <u>FUND</u>	<u>PROPRIETARY</u> <u>FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 789,286	\$1,295,442	\$2,084,728
Certificates of deposit	405,606	402,460	808,066
Investments - Federal Home Loan Bank Bonds	140,790	281,580	422,370
Prepaid expenses	1,258	12,790	14,048
Due from other governmental units	143,940	-	143,940
Capital assets, net	<u>9,567</u>	<u>176,753</u>	<u>186,320</u>
Total Assets	<u>\$1,490,447</u>	<u>\$2,169,025</u>	<u>\$3,659,472</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 3,937	\$ 5,350	\$ 9,287
Due to member libraries	519,836	-	519,836
Deferred revenue	5,198	-	5,198
Accrued salaries	<u>1,563</u>	<u>9,795</u>	<u>11,358</u>
Total Liabilities	<u>\$ 530,534</u>	<u>\$ 15,145</u>	<u>\$ 545,679</u>
<u>NET ASSETS</u>			
Invested in capital assets	\$ 9,567	\$ 176,753	\$ 186,320
Unrestricted	<u>950,346</u>	<u>1,977,127</u>	<u>2,927,473</u>
Total Net Assets	<u>\$ 959,913</u>	<u>\$2,153,880</u>	<u>\$3,113,793</u>

See accompanying notes to financial statements.

SUBURBAN LIBRARY COOPERATIVE
STATEMENT OF ACTIVITIES
For The Year Ended September 30, 2007

FUNCTIONS/PROGRAMS:	<u>PROGRAM REVENUES</u>			<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	<u>TOTAL</u>
	<u>EXPENSES</u>	<u>CHARGES FOR</u> <u>SERVICES</u>	<u>OPERATING</u> <u>GRANTS</u>	<u>NET (EXPENSE)</u> <u>REVENUE AND</u> <u>CHANGES IN</u> <u>NET ASSETS</u>	<u>NET (EXPENSE)</u> <u>REVENUE AND</u> <u>CHANGES IN</u> <u>NET ASSETS</u>	
Primary Government:						
Governmental Activities:						
Cooperative services/operations	\$ 756,215	\$ -	\$ 27,549	(\$728,666)	\$ -	(\$ 728,666)
Business-Type Activities:						
Automation system/operations	<u>854,174</u>	<u>977,438</u>	<u>-</u>	<u>-</u>	<u>123,264</u>	<u>123,264</u>
Total	<u>\$1,610,389</u>	<u>\$977,438</u>	<u>\$ 27,549</u>	<u>(\$728,666)</u>	<u>\$ 123,264</u>	<u>(\$ 605,402)</u>
<u>GENERAL REVENUES:</u>						
State revenues				\$703,970	\$ -	\$ 703,970
Interest on investments				56,995	72,973	129,968
Other miscellaneous				<u>38,383</u>	<u>2,818</u>	<u>41,201</u>
Total General Revenues and Special Item				<u>\$799,348</u>	<u>\$ 75,791</u>	<u>\$ 875,139</u>
CHANGE IN NET ASSETS				\$ 70,682	\$ 199,055	\$ 269,737
<u>NET ASSETS:</u>						
Beginning of year				<u>889,231</u>	<u>1,954,825</u>	<u>2,844,056</u>
End of year				<u>\$959,913</u>	<u>\$2,153,880</u>	<u>\$3,113,793</u>

See accompanying notes to financial statements.

SUBURBAN LIBRARY COOPERATIVE
GENERAL FUND
BALANCE SHEET
September 30, 2007

Exhibit 3

ASSETS

Cash and cash equivalents	\$ 789,286
Certificates of deposit	405,606
Investments - Federal Home Loan Bank Bonds	140,790
Prepaid expenses	1,258
Due from other governmental units	<u>143,940</u>
Total Assets	<u>\$1,480,880</u>

LIABILITIES

Accounts payable	\$ 3,337
Due to member libraries	519,836
Deferred revenue	5,198
Accrued salaries	1,563
Due to other funds	<u>600</u>
Total Liabilities	\$ 530,534

FUND BALANCE

Unrestricted	<u>950,346</u>
Total Liabilities and Fund Balance	<u>\$1,480,880</u>

See accompanying notes to financial statements.

SUBURBAN LIBRARY COOPERATIVE
GENERAL FUND
RECONCILIATION OF FUND BALANCE TO THE STATEMENT OF NET ASSETS
September 30, 2007

TOTAL FUND BALANCE - GENERAL FUND	\$950,346
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in the governmental activities are not financial resources and are not reported in the General Fund:

Capital assets	\$ 56,252	
Accumulated depreciation	(46,685)	
		<u>9,567</u>

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	<u>\$959,913</u>
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See accompanying notes to financial statements.

SUBURBAN LIBRARY COOPERATIVE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For The Year Ended September 30, 2007

REVENUES:

State aid - Direct	\$351,985
- Indirect	351,985
Interest	56,995
Grants	27,549
Miscellaneous	<u>38,383</u>
Total Revenues	<u>\$826,897</u>

EXPENDITURES:

Personnel:	
Salaries and employee benefits	\$223,151
Travel, conferences and training	4,143
Administrative services:	
Professional services	5,450
Operating costs	37,046
Lease	8,804
Utilities	3,841
Cooperative services:	
Centralized purchasing	275,000
Continuing education	12,860
Delivery	66,782
Interlibrary loan	42,446
Special projects	73,409
Capital outlay	<u>7,962</u>
Total Expenditures	<u>\$760,894</u>

EXCESS OF REVENUES OVER EXPENDITURES	\$ 66,003
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FUND BALANCE - OCTOBER 1, 2006	<u>884,343</u>
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FUND BALANCE - SEPTEMBER 30, 2007	<u>\$950,346</u>
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See accompanying notes to financial statements

SUBURBAN LIBRARY COOPERATIVE
GENERAL FUND
RECONCILIATION OF FUND STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
September 30, 2007

EXCESS OF REVENUES OVER EXPENDITURES - GENERAL FUND	\$ 66,003
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Amounts reported for governmental activities in the Statement of
Activities are different because:

The General Fund reports capital outlays as expenditures; in the Statement
of Activities, these costs are capitalized and depreciated over their
useful lives as depreciation

Capital outlay	7,962
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Depreciation expense	(3,283)
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 70,682</u>
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See accompanying notes to financial statements.

SUBURBAN LIBRARY COOPERATIVE
PROPRIETARY FUND
BALANCE SHEET
September 30, 2007

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$1,295,442
Certificates of deposit	402,460
Investments - Federal Home Loan Bank Bonds	281,580
Due from other funds	<u>12,790</u>

Total Current Assets \$1,992,272

NONCURRENT ASSETS:

Capital assets, net of depreciation	<u>176,753</u>
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Total Assets \$2,169,025

LIABILITIES

CURRENT LIABILITIES:

Accounts payable	\$ 5,350
Accrued salaries	<u>9,795</u>

Total Liabilities \$ 15,145

NET ASSETS

Invested in capital assets	\$ 176,753
Unrestricted	<u>1,977,127</u>

Total Net Assets \$2,153,880

Total Liabilities and Net Assets \$2,169,025

See accompanying notes to financial statements.

SUBURBAN LIBRARY COOPERATIVE
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
For The Year Ended September 30, 2007

REVENUES:

Member terminal rental	\$ 952,200
Equipment maintenance	<u>25,238</u>
Total Operating Revenues	<u>\$ 977,438</u>

EXPENSES:

Administration:	
Salaries and employee benefits	\$ 303,179
Travel, conferences and training	15,668
Automation System:	
Depreciation	81,092
Maintenance	169,689
Telecommunications	15,225
Internet	102,344
Cataloging	105,180
Professional services	3,570
Operating costs	<u>58,227</u>
Total Operating Expenses	<u>\$ 854,174</u>

OPERATING INCOME \$ 123,264

NON-OPERATING REVENUES:

Interest	\$ 72,973
Miscellaneous	<u>2,818</u>
Total Non-Operating Revenues	<u>\$ 75,791</u>

CHANGE IN NET ASSETS \$ 199,055

NET ASSETS - OCTOBER 1, 2006 1,954,825

NET ASSETS - SEPTEMBER 30, 2007 \$2,153,880

See accompanying notes to financial statements.

SUBURBAN LIBRARY COOPERATIVE
PROPRIETARY FUND
STATEMENT OF CASH FLOWS
For The Year Ended September 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from members	\$ 976,042
Cash paid to suppliers for goods and services	(547,044)
Cash paid to employees	(227,609)

Net Cash Flows - Operating Activities	\$ 201,389
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Purchases of capital assets	(\$ 121,379)
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CASH FLOWS FROM INVESTING ACTIVITIES:

Interest income	\$ 72,973
Change in value of investments	(2,874)

Net Cash Flows - Investing Activities	\$ 70,099
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NET INCREASE IN CASH	\$ 150,109
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CASH AND CASH EQUIVALENTS - OCTOBER 1, 2006	<u>1,547,793</u>
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CASH AND CASH EQUIVALENTS - SEPTEMBER 30, 2007	<u>\$1,697,902</u>
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RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES:

Operating income	\$ 123,264
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	81,092
Miscellaneous income	2,818
(Increase) decrease in:	
Accounts receivable	(4,214)
Prepaid expenses	(2,515)
Increase (decrease) in:	
Accounts payable	3,598
Accrued salaries	(2,654)

Net Cash Flows - Operating Activities	<u>\$ 201,389</u>
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See accompanying notes to financial statements.

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

SUBURBAN LIBRARY COOPERATIVE
FIDUCIARY FUND
STATEMENT OF NET ASSETS
September 30, 2007

ASSETS

Cash and cash equivalents	\$229,006
Investments - Cisco Systems	3,145
Accounts receivable	4,039
Capital assets (Net of depreciation)	<u>16,296</u>

Total Assets	<u>\$252,486</u>
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LIABILITIES

Accounts payable	\$ 8,776
Accrued salaries	<u>741</u>

Total Liabilities	\$ 9,517
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NET ASSETS

Unrestricted	<u>242,969</u>
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Total Liabilities and Net Assets	<u>\$252,486</u>
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See accompanying notes to financial statements.

SUBURBAN LIBRARY COOPERATIVE
FIDUCIARY FUND
STATEMENT OF CHANGES IN NET ASSETS
For The Year Ended September 30, 2007

REVENUES:

Community contributions:	
Unrestricted	\$260,466
Restricted	7,500
Read to Me Program revenues	46,000
Grants	42,130
Interest	2,546
Unrealized gain on investments	<u>960</u>
Total Revenues	<u>\$359,602</u>

EXPENSES:

Personnel:	
Salaries	\$108,564
Benefits	38,514
Insurance	1,425
Contracted services	31,049
Administration:	
Operating expenses	26,333
Training expenses	1,418
Postage	2,046
Memberships	945
Depreciation	6,185
Loss on disposal of equipment	<u>73</u>
Total Expenses	<u>\$216,552</u>

CHANGE IN NET ASSETS	\$143,050
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NET ASSETS - OCTOBER 1, 2006	<u>99,919</u>
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NET ASSETS - SEPTEMBER 30, 2007	<u>\$242,969</u>
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See accompanying notes to financial statements.

SUBURBAN LIBRARY COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Suburban Library Cooperative (the "Cooperative") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

A. GOVERNMENTAL REPORTING ENTITY

The Suburban Library Cooperative operates under the authority of P.A. 89 of 1977. The Cooperative provides services to its member libraries. The Cooperative is governed by an appointed nine member board representative of the participating libraries. The Cooperative has no component units as defined by the Governmental Accounting Standards Board.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements are reported using the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Cooperative's net assets are reported in two parts - invested in capital assets and unrestricted net assets.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to member libraries who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. State revenues and other items are not properly included among program revenues, and are reported instead as general revenue.

Fund Financial Statements

Governmental fund financial statements are reported using the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Interest associated with the current fiscal period is considered to be susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Cooperative.

(Continued)

SUBURBAN LIBRARY COOPERATIVE
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2007

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

Fund Financial Statements (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Cooperative's proprietary fund is charges to member libraries for the shared automation system. Operating expenses for the proprietary funds include administrative expenses and the cost of operating the automation system including depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Proprietary Fund is accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Fees collected for maintenance are recognized when billed.

The General Fund is the Cooperative's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

The Proprietary Fund is used to record the revenues and expenses and resulting change in net assets of the Cooperative's shared automation system for member libraries.

Additionally, the Cooperative includes a Fiduciary Fund which is used to account for the revenues and expenses of Macomb Literacy Partners, Inc., a non-profit corporation.

C. ASSETS, LIABILITIES AND FUND EQUITY

Cash and Cash Equivalents, Certificates of Deposit and Investments

The Cooperative is authorized to invest surplus funds in U.S. bonds and notes, certificates of deposit repurchase agreements, and certain investment pools that are composed of authorized investments. During the year ended September 30, 2007, the Cooperative invested in U.S. bonds, certificates of deposit, and investment pools.

For purposes of the statement of cash flows, the Cooperative considers all short-term investments with an original maturity of six months or less to be cash equivalents.

(Continued)

SUBURBAN LIBRARY COOPERATIVE
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2007

C. ASSETS, LIABILITIES AND FUND EQUITY (Continued)

Capital Assets

Capital assets are defined by the Cooperative as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of two years. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Furniture and equipment	5-10 years
Site improvements	5 years
Computer equipment and software	3-5 years

Compensated Absences

It is the Cooperative's policy to permit employees to accumulate earned but unused vacation pay. There is no liability for unpaid accumulated sick leave since the Cooperative does not pay any amounts when employees separate from service. A liability for vacation pay benefits and related payroll taxes has been recorded in all funds at September 30, 2007.

Fund Equity

In the fund financial statements, the General Fund reports reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represents tentative management plans that are subject to change.

D. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETS

Annual operating budgets consistent with generally accepted accounting principles are formally adopted for the General Fund and the Proprietary Fund. The budgets can be amended by approval of the majority of the Board of Trustees. Amendments are presented to the Board at their regular meetings. All annual appropriations lapse at fiscal year end.

(Continued)

SUBURBAN LIBRARY COOPERATIVE
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2007

A. BUDGETS (Continued)

During the year ended September 30, 2007, the Cooperative exceeded appropriated amounts in the following expenditure classifications:

	<u>APPROPRIATION</u>	<u>EXPENDITURE</u>	<u>BUDGET VARIANCE</u>
<u>GENERAL FUND:</u>			
Utilities	\$ 3,334	\$ 3,841	(\$ 507)
Continuing education	7,086	12,860	(5,774)
Capital outlay	-	7,962	(7,962)
Special projects	-	73,409	(73,409)
<u>PROPRIETARY FUND:</u>			
Maintenance	165,000	169,689	(4,689)
Internet	100,000	102,344	(2,344)
Professional services	3,000	3,570	(570)

III. DETAILED NOTES

A. DEPOSITS AND INVESTMENTS

Deposits are carried at cost plus accrued interest which approximates fair value.

At year end, the Cooperative's deposits were reported in the basic financial statements in the following categories:

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS TYPE ACTIVITIES</u>	<u>FIDUCIARY FUNDS</u>	<u>TOTAL PRIMARY GOVERNMENT</u>
Cash and cash equivalents	\$ 789,286	\$1,295,442	\$229,006	\$2,313,734
Certificates of Deposit	405,606	402,460	-	808,066
Total	<u>\$1,194,892</u>	<u>\$1,697,902</u>	<u>\$229,006</u>	<u>\$3,121,800</u>

As of September 30, 2007, the Cooperative had the following investments:

	<u>MATURITY</u>	<u>S & P RATING</u>	<u>CARRYING AMOUNT</u>	<u>FAIR VALUE</u>
Federal Home Loan Bank Bonds	11/15/2028	AAA	\$422,370	\$422,370
Cisco Systems	-	N/R	3,145	3,145
			<u>\$425,515</u>	<u>\$425,515</u>

Credit Risk - The Cooperative's investments are limited by state statutes. The Cooperative has no investment policy that would further limit its investment choices.

(Continued)

SUBURBAN LIBRARY COOPERATIVE
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2007

A. DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the Cooperative's deposits may not be returned to it. The Cooperative does not have a deposit policy for custodial credit risk. As of September 30, 2007, \$2,184,206 of the Cooperative's bank balance of \$3,284,206 was exposed to custodial credit risk as follows:

<u>DEPOSITS</u>	<u>INSURED (FDIC)</u>	<u>UNINSURED AND UNCOLLATERALIZED</u>	<u>CARRYING AMOUNT</u>	<u>BANK BALANCE</u>
Demand Deposits	\$ 100,000	\$1,438,576	\$1,359,104	\$1,538,576
Money Market Funds	200,000	228,546	428,546	428,546
Certificates of Deposit	700,000	100,000	808,066	800,000
Savings Accounts	<u>100,000</u>	<u>417,084</u>	<u>526,084</u>	<u>517,084</u>
	<u>\$1,100,000</u>	<u>\$2,184,206</u>	<u>\$3,121,800</u>	<u>\$3,284,206</u>

B. CAPITAL ASSETS

Capital asset activity of the Cooperative was as follows:

	<u>BALANCE OCTOBER 1, 2006</u>	<u>ADDITIONS</u>	<u>DISPOSALS AND ADJUSTMENTS</u>	<u>BALANCE SEPTEMBER 30, 2007</u>
<u>GOVERNMENTAL ACTIVITIES:</u>				
Capital assets being depreciated:				
Office furniture and equipment	\$ 48,289	\$ 7,963	\$ -	\$ 56,252
Accumulated depreciation	(43,402)	(3,283)	-	(46,685)
Total Governmental Activities				
Capital Assets, Net	<u>\$ 4,887</u>	<u>\$ 4,680</u>	<u>\$ -</u>	<u>\$ 9,567</u>
<u>BUSINESS-TYPE ACTIVITIES:</u>				
Capital assets being depreciated:				
Computer equipment and software	\$1,046,643	\$ 52,318	(\$ 22,975)	\$1,075,986
Site improvements	<u>122,333</u>	<u>69,060</u>	-	<u>191,393</u>
Total	<u>\$1,168,976</u>	<u>\$121,378</u>	<u>(\$ 22,975)</u>	<u>\$1,267,379</u>
Accumulated depreciation:				
Computer equipment and software	(\$ 915,396)	(\$ 68,001)	\$ 22,671	(\$ 960,726)
Site improvements	(117,114)	(12,786)	-	(129,900)
Total	<u>(\$1,032,510)</u>	<u>(\$ 80,787)</u>	<u>\$ 22,671</u>	<u>(\$1,090,626)</u>
Total Business-Type Activities				
Capital Assets, Net	<u>\$ 136,466</u>	<u>\$ 40,591</u>	<u>(\$ 304)</u>	<u>\$ 176,753</u>

(Continued)

SUBURBAN LIBRARY COOPERATIVE
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2007

IV. PENSION PLAN

The Cooperative has established a Simplified Employee Pension Plan. The contribution is a percent of salaries as determined by the governing body of the Cooperative. The contribution for the year ended September 30, 2007 was approximately \$57,000 on covered payroll of approximately \$380,300. Total payroll for the year ended September 30, 2007 was approximately \$455,100. The plan covers employees of the Cooperative who are age 18 and over and have been employed for six months. Contributions are made directly into IRA accounts set up for each employee with a Franklin Investors Trust.

V. DEFERRED COMPENSATION PLAN

The Cooperative participates in a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by ICMA Retirement Corporation under an administrative service agreement. The plan is available to all employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or financial hardship.

ICMA Retirement Corporation is responsible for plan administration. The Cooperative does not have any fiduciary or administrative responsibility for the plan. Therefore, the plan assets are not reported in the Cooperative's financial statement.

VI. RISK MANAGEMENT

The Cooperative is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, unemployment benefits, as well as medical and workers' compensation benefits provided to employees. The Cooperative has purchased commercial insurance for workers' compensation, general liability, health, and life claims.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years.

VII. LEASES

In September 2006, the Cooperative entered into an agreement to lease building space. The term of the lease is for ten years from January 1, 2007 to December 31, 2016. There is an option to terminate in the event the State of Michigan ceases to appropriate funds to library cooperatives. Future minimum lease payments under the lease are as follows:

For The Year Ending September 30	
2008	\$ 38,990
2009	44,915
2010	51,204
2011	53,364
2012	55,515
2013 and thereafter	<u>259,797</u>
	<u>\$503,785</u>

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

REQUIRED SUPPLEMENTAL INFORMATION

SUBURBAN LIBRARY COOPERATIVE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For The Year Ended September 30, 2007

Schedule No. 1

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u>
				<u>FAVORABLE</u>
				<u>(UNFAVORABLE)</u>
<u>REVENUES:</u>				
State aid - Direct	\$351,428	\$351,428	\$351,985	\$ 557
- Indirect	351,428	351,428	351,985	557
Interest	25,000	25,000	56,995	31,995
Miscellaneous	2,000	2,000	38,383	36,383
Grants	-	-	27,549	27,549
Total Revenues	<u>\$729,856</u>	<u>\$729,856</u>	<u>\$826,897</u>	<u>\$ 97,041</u>
<u>EXPENDITURES:</u>				
Personnel:				
Salaries and employee benefits	\$230,000	\$230,000	\$223,151	\$ 6,849
Travel, conferences and training	10,000	7,000	4,143	2,857
Administrative services:				
Professional services	20,000	18,000	5,450	12,550
Operating costs	56,000	56,000	37,046	18,954
Lease	8,804	8,804	8,804	-
Utilities	3,334	3,334	3,841	(507)
Cooperative services:				
Centralized purchasing	275,000	275,000	275,000	-
Continuing education	8,086	7,086	12,860	(5,774)
Delivery	59,632	66,782	66,782	-
Interlibrary loan	59,000	57,850	42,446	15,404
Special projects	-	-	73,409	(73,409)
Capital outlay	-	-	7,962	(7,962)
Total Expenditures	<u>\$729,856</u>	<u>\$729,856</u>	<u>\$760,894</u>	<u>(\$ 31,038)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,003</u>	<u>\$ 66,003</u>

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

OTHER SUPPLEMENTAL INFORMATION

SUBURBAN LIBRARY COOPERATIVE
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - BUDGET AND ACTUAL
For The Year Ended September 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u> <u>AMOUNTS</u>	<u>VARIANCE</u> <u>WITH FINAL</u> <u>BUDGET</u> <u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
<u>REVENUES:</u>			
Member terminal rental	\$ 943,000	\$952,200	\$ 9,200
Equipment maintenance	25,000	25,238	238
Workshops	<u>1,000</u>	<u>-</u>	(1,000)
Total Operating Revenues	<u>\$ 969,000</u>	<u>\$977,438</u>	<u>\$ 8,438</u>
<u>EXPENSES:</u>			
Administration:			
Salaries and employee benefits	\$ 324,000	\$303,179	\$ 20,821
Travel, conferences and training	17,000	15,668	1,332
Automation System:			
Depreciation	185,000	81,092	103,908
Maintenance	165,000	169,689	(4,689)
Telecommunications	35,000	15,225	19,775
Internet	100,000	102,344	(2,344)
Cataloging	125,000	105,180	19,820
Continuing education	3,000	-	3,000
Operating costs	67,000	58,227	8,773
Professional services	<u>3,000</u>	<u>3,570</u>	(570)
Total Operating Expenses	<u>\$1,024,000</u>	<u>\$854,174</u>	<u>\$169,826</u>
OPERATING INCOME (LOSS)	<u>(\$ 55,000)</u>	<u>\$123,264</u>	<u>\$178,264</u>
<u>NONOPERATING REVENUES:</u>			
Interest	\$ 35,000	\$ 72,973	\$ 37,973
Miscellaneous	<u>64</u>	<u>2,818</u>	<u>2,754</u>
Total Nonoperating Revenues	<u>\$ 35,064</u>	<u>\$ 75,791</u>	<u>\$ 40,727</u>
CHANGE IN NET ASSETS	<u>(\$ 19,936)</u>	<u>\$199,055</u>	<u>\$218,991</u>

See accompanying notes to financial statements.

SUBURBAN LIBRARY COOPERATIVE
FIDUCIARY FUND
STATEMENT OF CHANGES IN FUND NET ASSETS - BUDGET AND ACTUAL
For The Year Ended September 30, 2007

	<u>BUDGET</u>	<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)</u>
<u>REVENUES:</u>			
Community contributions:			
Unrestricted	\$200,000	\$260,466	\$ 60,466
Restricted	7,500	7,500	-
Read to Me Program revenues	45,500	46,000	500
Grants	35,522	42,130	6,608
Interest	-	2,546	2,546
Unrealized gain on investment	-	960	960
	<u> </u>	<u> </u>	<u> </u>
Total Revenues	<u>\$288,522</u>	<u>\$359,602</u>	<u>\$ 71,080</u>
<u>EXPENSES:</u>			
Personnel:			
Salaries	\$116,000	\$108,564	\$ 7,436
Benefits	44,000	38,514	5,486
Insurance	1,567	1,425	142
Contracted services	35,000	31,049	3,951
Administration:			
Operating expenses	31,010	26,333	4,677
Postage	2,000	2,046	(46)
Repairs and maintenance	150	-	150
Memberships	1,000	945	55
Loss on disposal of assets	-	73	(73)
Training expenses	2,000	1,418	582
Equipment	300	-	300
Depreciation	-	6,185	(6,185)
	<u> </u>	<u> </u>	<u> </u>
Total Expenses	<u>\$233,027</u>	<u>\$216,552</u>	<u>\$ 16,475</u>
 CHANGE IN NET ASSETS	 <u>\$ 55,495</u>	 <u>\$143,050</u>	 <u>\$ 87,555</u>

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.

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MEMBERS
The American Institute of
Certified Public Accountants
The Michigan Association of
Certified Public Accountants

December 6, 2007

Board of Trustees
Suburban Library Cooperative
16480 Hall Road
Clinton Township, Michigan 48038

In planning and performing the audit of the financial statements of the Suburban Library Cooperative for the year ended September 30, 2007, we considered its internal control structure, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. The following items are presented that could affect the Suburban Library Cooperative's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

COMMENTS

The Cooperative's budgets were reviewed for compliance with the Uniform Accounting and Budgeting Act. The Act requires that expenditures in a specific appropriations account, in excess of the original budget, be approved by the Board with a transfer or supplemental appropriation. During the year ended September 30, 2007, expenditures in excess of the amount appropriated by the Board were incurred in certain accounts, which are identified in Note IIA.

As indicated in Schedule No. 1, on page 23, actual revenues for the General Fund were greater than budgeted revenues by \$97,041. Actual expenditures were more than budgeted expenditures by \$31,038. Combined, these differences resulted in a favorable variance of \$66,003 and indicates that management is operating within the approved budget, despite expenditures in excess of amounts appropriated for certain accounts.

COMMENTS
(Continued)

Schedule No. 2, on page 24, indicates actual revenues for the Proprietary Fund were greater than budgeted revenues by \$8,438. Actual expenses were less than budgeted expenses by \$169,826. The Proprietary Fund experienced an increase in net assets of \$178,624. This difference represents a favorable variance and indicates that the fees being charged to the member libraries adequately covered the funds expenses.

Management should review budget amendment procedures and make improvements where necessary in order to reduce or eliminate these variances.

During the course of our audit we identified certain interim reports that are provided to the Board of Trustees that did not include a provision for depreciation. While the budget approved by the Board includes depreciation, actual figures reported to the Board on a monthly basis do not include a provision for depreciation. Therefore, the interim reports vary from the audit report rather significantly. In an effort to improve the accuracy of interim reporting, we recommend that the bookkeeper record a monthly journal entry to report estimated depreciation.

It was also noted that the Personnel Committee revised the Retirement Plan Personnel Policy Number 17 to decrease the age of eligibility from 21 to 18 and over and limit the benefit to those employees working at least 30 hours per week. While the age limit may be reduced from 21 to 18 and over, limiting the benefit to those employees working at least 30 hours per week may be in violation with the rules relating to Simplified Employee Pension Plans. We recommend that management review the rules related to Simplified Employee Pension Plans to make certain the Cooperative's policy is within the established guidelines.

This report is intended solely for the information and use of the Board of Trustees, management, and others within the administration of the Suburban Library Cooperative. This restriction is not intended to limit distribution of this report which, upon acceptance by the Suburban Library Cooperative, is a matter of public record.

Respectfully submitted,

BUSS & COMPANY, P.C.

A handwritten signature in cursive script that reads "Buss & Company, P.C.".

Certified Public Accountants

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